

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Buchanan
Berrien County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Buchanan, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Buchanan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The budgetary comparison information, on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Buchanan, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Buchanan, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

July 26, 2005

BASIC FINANCIAL STATEMENTS

Township of Buchanan
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 764,462
Receivables (net)	80,012
Prepaid expenses	<u>12,854</u>
Total current assets	<u>857,328</u>
Noncurrent assets:	
Receivables (net)	221,349
Capital assets (net of accumulated depreciation)	<u>1,438,047</u>
Total noncurrent assets	<u>1,659,396</u>
Total assets	<u>2,516,724</u>
LIABILITIES	
Current liabilities:	
Payables	112,052
Current portion of long term debt	<u>73,000</u>
Total current liabilities	<u>185,052</u>
Noncurrent liabilities - long-term debt	<u>538,000</u>
Total liabilities	<u>723,052</u>
NET ASSETS	
Invested in capital assets, net of related debt	827,047
Restricted for:	
Public safety	139,200
Public works	15,611
Debt service	426,208
Unrestricted	<u>385,606</u>
Total net assets	<u>\$ 1,793,672</u>

See notes to financial statements

Township of Buchanan
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

Functions/Programs	Program revenues			Net (expenses) revenues and changes in net assets
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	
Governmental activities:				
Legislative	\$ 5,278	\$ -	\$ -	\$ (5,278)
General government	238,579	37,858	-	(200,721)
Public safety	176,247	60,323	-	(115,924)
Public works	35,808	10,665	3,988	(21,155)
Community and economic development	5,392	2,125	-	(3,267)
Recreation and culture	577	-	-	(577)
Debt service - interest	<u>37,106</u>	<u>15,949</u>	<u>-</u>	<u>(21,157)</u>
Total governmental activities	<u>\$ 498,987</u>	<u>\$ 126,920</u>	<u>\$ 3,988</u>	<u>(368,079)</u>
General revenues:				
Taxes				187,687
Franchise fees				15,019
State grants				248,222
Investment income				10,849
Other				<u>5,626</u>
Total general revenues				<u>467,403</u>
Change in net assets				99,324
Net assets - beginning				<u>1,694,348</u>
Net assets - ending				<u>\$ 1,793,672</u>

See notes to financial statements

Township of Buchanan
BALANCE SHEET - governmental funds
March 31, 2005

	<u>General</u>	<u>Special revenue Fire</u>	<u>Debt service Sewer</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 376,379	\$ 145,871	\$ 226,601	\$ 15,611	\$ 764,462
Receivables	47,129	7,316	246,916	-	301,361
Due from other funds	3,934	-	-	-	3,934
Total assets	<u>\$ 427,442</u>	<u>\$ 153,187</u>	<u>\$ 473,517</u>	<u>\$ 15,611</u>	<u>\$ 1,069,757</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 54,690	\$ 13,987	\$ 33,212	\$ -	\$ 101,889
Due to other funds	-	-	3,934	-	3,934
Deferred revenue	-	-	245,944	-	245,944
Total liabilities	<u>54,690</u>	<u>13,987</u>	<u>283,090</u>	<u>-</u>	<u>351,767</u>
Fund balances:					
Unreserved, undesignated	<u>372,752</u>	<u>139,200</u>	<u>190,427</u>	<u>15,611</u>	717,990
Total liabilities and fund balances	<u>\$ 427,442</u>	<u>\$ 153,187</u>	<u>\$ 473,517</u>	<u>\$ 15,611</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,438,047
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	12,854
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	245,944
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(10,163)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(611,000)</u>
Net assets of <i>governmental activities</i>	<u>\$ 1,793,672</u>

See notes to financial statements

Township of Buchanan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended March 31, 2005

	<u>General</u>	<u>Special revenue Fire</u>	<u>Debt service Sewer</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 106,806	\$ 106,799	\$ -	\$ -	\$ 213,605
Licenses and permits	75,342	-	15	-	75,357
State grants	252,210	-	-	-	252,210
Charges for services	15,377	-	-	-	15,377
Interest and rentals	8,440	658	18,567	63	27,728
Other	3,515	1,580	42,551	956	48,602
Total revenues	<u>461,690</u>	<u>109,037</u>	<u>61,133</u>	<u>1,019</u>	<u>632,879</u>
EXPENDITURES					
Legislative	5,278	-	-	-	5,278
General government	233,313	-	-	-	233,313
Public safety	43,155	76,557	-	-	119,712
Public works	111,339	-	-	-	111,339
Community and economic development	4,392	-	-	-	4,392
Capital outlay	93,566	45,830	-	-	139,396
Debt service:					
Principal	38,000	-	35,000	-	73,000
Interest	13,564	-	24,367	-	37,931
Total expenditures	<u>542,607</u>	<u>122,387</u>	<u>59,367</u>	<u>-</u>	<u>724,361</u>
NET CHANGES IN FUND BALANCES	(80,917)	(13,350)	1,766	1,019	(91,482)
FUND BALANCES - BEGINNING	<u>453,669</u>	<u>152,550</u>	<u>188,661</u>	<u>14,592</u>	<u>809,472</u>
FUND BALANCES - ENDING	<u>\$ 372,752</u>	<u>\$ 139,200</u>	<u>\$ 190,427</u>	<u>\$ 15,611</u>	<u>\$ 717,990</u>

See notes to financial statements

Township of Buchanan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended March 31, 2005

Net change in fund balances - total governmental funds	\$ (91,482)
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Amounts reported for *governmental activities* in the statement of activities
(page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$231,082) exceeded depreciation (\$82,127) in the current period.	148,955
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Interest expense uses current financial resources and, therefore, is reported in the funds. This is the amount by which accrued interest decreased in the current period.	825
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Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.	(34,568)
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Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	2,594
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>73,000</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 99,324</u>
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See notes to financial statements

Township of Buchanan
STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*
March 31, 2005

ASSETS

Cash	\$ 115,608
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LIABILITIES

Payables	\$ 115,608
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See notes to financial statements

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Buchanan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles)-as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

iv) Capital assets (continued) - either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 20 years
Shared road costs	20 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$ 40,590	\$ 42,826	\$ (2,236)
		Hall and grounds	34,965	39,683	(4,718)
	Public safety	Building inspections	38,716	43,155	(4,439)
	Public works	Highways and streets	99,764	108,471	(8,707)
	Capital outlay	Capital outlay	40,000	93,566	(53,566)
Fire	Capital outlay	Capital outlay	12,000	45,830	(33,830)

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 764,207	\$ 115,608	\$ 879,815
Cash on hand	<u>255</u>	<u>-</u>	<u>255</u>
	<u>\$ 764,462</u>	<u>\$ 115,608</u>	<u>\$ 880,070</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township had deposits with a carrying amount of \$879,815 and a bank balance of \$893,740. Of the bank balance, \$341,493 is covered by federal depository insurance and \$552,247 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 3,480	\$ 5,891	\$ -	\$ 37,758	\$ 47,129
Fire	620	6,696	-	-	7,316
Sewer Debt Service	<u>-</u>	<u>-</u>	<u>246,916</u>	<u>-</u>	<u>246,916</u>
Totals	<u>\$ 4,100</u>	<u>\$ 12,587</u>	<u>\$ 246,916</u>	<u>\$ 37,758</u>	<u>\$ 301,361</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,349</u>	<u>\$ -</u>	<u>\$ 221,349</u>

All receivables are considered fully collectible.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 124,188	\$ -	\$ -	\$ 124,188
Capital assets being depreciated:				
Land improvements	5,250	36,825	-	42,075
Buildings and improvements	787,955	-	-	787,955
Equipment	170,347	19,716	-	190,063
Vehicles	612,450	96,741	-	709,191
Roads	-	77,800	-	77,800
Subtotal	<u>1,576,002</u>	<u>231,082</u>	<u>-</u>	<u>1,807,084</u>
Less accumulated depreciation for:				
Land improvements	984	339	-	1,323
Buildings and improvements	98,846	19,373	-	118,219
Equipment	91,062	27,635	-	118,697
Vehicles	220,206	32,511	-	252,717
Roads	-	2,269	-	2,269
Subtotal	<u>411,098</u>	<u>82,127</u>	<u>-</u>	<u>493,225</u>
Total capital assets being depreciated (net)	<u>1,164,904</u>	<u>148,955</u>	<u>-</u>	<u>1,313,859</u>
Governmental activities capital assets, net	<u>\$ 1,289,092</u>	<u>\$ 148,955</u>	<u>\$ -</u>	<u>\$ 1,438,047</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 7,410
Public safety	70,871
Public works	2,269
Community and economic development	1,000
Recreation and culture	<u>577</u>
Total governmental activities	<u>\$ 82,127</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Escrow</u>	<u>Totals</u>
General	\$ 42,161	\$ 12,529	\$ -	\$ 54,690
Fire	7,516	6,471	-	13,987
Sewer	-	-	33,212	33,212
Total	<u>\$ 49,677</u>	<u>\$ 19,000</u>	<u>\$ 33,212</u>	<u>\$ 101,889</u>

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2005, deferred revenue consists of sewer special assessments unavailable to liquidate liabilities in the current period.

NOTE 8 - LONG-TERM DEBT:

Long-term debt at March 31, 2005, is comprised of the following issues:

Note payable:

\$380,000 note payable - mortgage for construction of new fire station, due in annual installments of \$30,000 to \$45,000 through November 2009; plus interest at 5.36%, payable bi-annually in April and November \$ 211,000

Contract payable:

\$715,000 1996 limited tax general obligation sanitary sewer disposal and water distribution system serial bonds, due in annual installments of \$35,000 to \$50,000 through May 2015; plus interest at 5.0% to 5.8% 400,000

Total long-term liabilities \$ 611,000

Long-term liability activity for the year ended March 31, 2005, was as follows:

	<u>Note payable</u>	<u>Contract payable</u>	<u>Total</u>
Beginning	\$ 249,000	\$ 435,000	\$ 684,000
Reductions	<u>(38,000)</u>	<u>(35,000)</u>	<u>(73,000)</u>
Ending	<u>\$ 211,000</u>	<u>\$ 400,000</u>	<u>\$ 611,000</u>
Amounts due within one year	<u>\$ 38,000</u>	<u>\$ 35,000</u>	<u>\$ 73,000</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

Debt service requirements at March 31, 2005, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2006	\$ 73,000	\$ 33,354
2007	76,000	29,399
2008	77,000	25,227
2009	80,000	20,982
2010	80,000	16,511
2011 - 2015	175,000	39,875
2016	<u>50,000</u>	<u>1,450</u>
Totals	<u>\$ 611,000</u>	<u>\$ 166,798</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund balances for the year ended March 31, 2005, as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General	\$ <u>3,934</u>	Sewer	\$ <u>3,934</u>

NOTE 10 - PENSION PLAN:

The Township provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$8,969 for the year ended March 31, 2005.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2005, is as follows:

Revenues	\$ 60,323
Expenses	<u>43,155</u>
Excess of revenues over expenses	<u>\$ 17,168</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported:	\$ 809,472
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,289,092
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	10,260
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	280,512
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(10,988)
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(684,000)</u>
Net assets, as restated	<u>\$ 1,694,348</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 101,052	\$ 101,052	\$ 106,806	\$ 5,754
Licenses and permits	53,116	53,116	75,342	22,226
State grants	221,380	221,380	252,210	30,830
Charges for services	11,563	11,563	15,377	3,814
Interest and rentals	4,170	4,170	8,440	4,270
Other	465	465	3,515	3,050
Total revenues	<u>391,746</u>	<u>391,746</u>	<u>461,690</u>	<u>69,944</u>
EXPENDITURES				
Legislative	<u>5,461</u>	<u>5,461</u>	<u>5,278</u>	<u>183</u>
General government:				
Supervisor	18,213	18,213	18,404	(191)
Elections	2,421	6,821	6,777	44
Assessor	39,990	40,590	42,826	(2,236)
Clerk	19,148	26,068	25,301	767
Treasurer	28,362	27,362	27,773	(411)
Hall and grounds	35,465	34,965	39,683	(4,718)
Other	68,746	79,280	72,549	6,731
Total general government	<u>212,345</u>	<u>233,299</u>	<u>233,313</u>	<u>(14)</u>
Public safety - building inspections	<u>34,974</u>	<u>38,716</u>	<u>43,155</u>	<u>(4,439)</u>
Public works:				
Highways and streets	125,760	99,764	108,471	(8,707)
Drains	1,600	2,900	2,868	32
Total public works	<u>127,360</u>	<u>102,664</u>	<u>111,339</u>	<u>(8,675)</u>
Community and economic development - planning and zoning	<u>6,103</u>	<u>6,103</u>	<u>4,392</u>	<u>1,711</u>
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>93,566</u>	<u>(53,566)</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
Interest	12,200	12,200	13,564	(1,364)
Total expenditures	476,443	476,443	542,607	(66,164)
NET CHANGE IN FUND BALANCE	(84,697)	(84,697)	(80,917)	3,780
FUND BALANCE - BEGINNING	453,669	453,669	453,669	-
FUND BALANCE - ENDING	<u>\$ 368,972</u>	<u>\$ 368,972</u>	<u>\$ 372,752</u>	<u>\$ 3,780</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2005

	<u>Original and amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Taxes	\$ 96,200	\$ 106,799	\$ 10,599
Interest	445	658	213
Other	<u>250</u>	<u>1,580</u>	<u>1,330</u>
Total revenues	<u>96,895</u>	<u>109,037</u>	<u>12,142</u>
EXPENDITURES			
Public safety	84,895	76,557	8,338
Capital outlay	<u>12,000</u>	<u>45,830</u>	<u>(33,830)</u>
Total expenditures	<u>96,895</u>	<u>122,387</u>	<u>(25,492)</u>
NET CHANGE IN FUND BALANCE	-	(13,350)	(13,350)
FUND BALANCE - BEGINNING	<u>152,550</u>	<u>152,550</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 152,550</u>	<u>\$ 139,200</u>	<u>\$ (13,350)</u>

SUPPLEMENTARY INFORMATION

Township of Buchanan
COMBINING BALANCE SHEET - nonmajor governmental funds
March 31, 2005

	<u>Special revenue</u>	<u>Capital projects</u>	
	<u>Mud Lake Bog</u>	<u>Sewer Replacement</u>	<u>Total</u>
ASSETS			
Cash	\$ 7,131	\$ 8,480	\$ 15,611
FUND BALANCES			
Unreserved, undesignated	\$ 7,131	\$ 8,480	\$ 15,611

Township of Buchanan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - *nonmajor governmental funds***

Year ended March 31, 2005

	<u>Special revenue</u> <u>Mud Lake Bog</u>	<u>Capital projects</u> <u>Sewer Replacement</u>	<u>Total</u>
REVENUES			
Interest	\$ 32	\$ 31	\$ 63
Other	-	956	956
CHANGES IN FUND BALANCES	32	987	1,019
FUND BALANCES - BEGINNING	<u>7,099</u>	<u>7,493</u>	<u>14,592</u>
FUND BALANCES - ENDING	<u>\$ 7,131</u>	<u>\$ 8,480</u>	<u>\$ 15,611</u>